

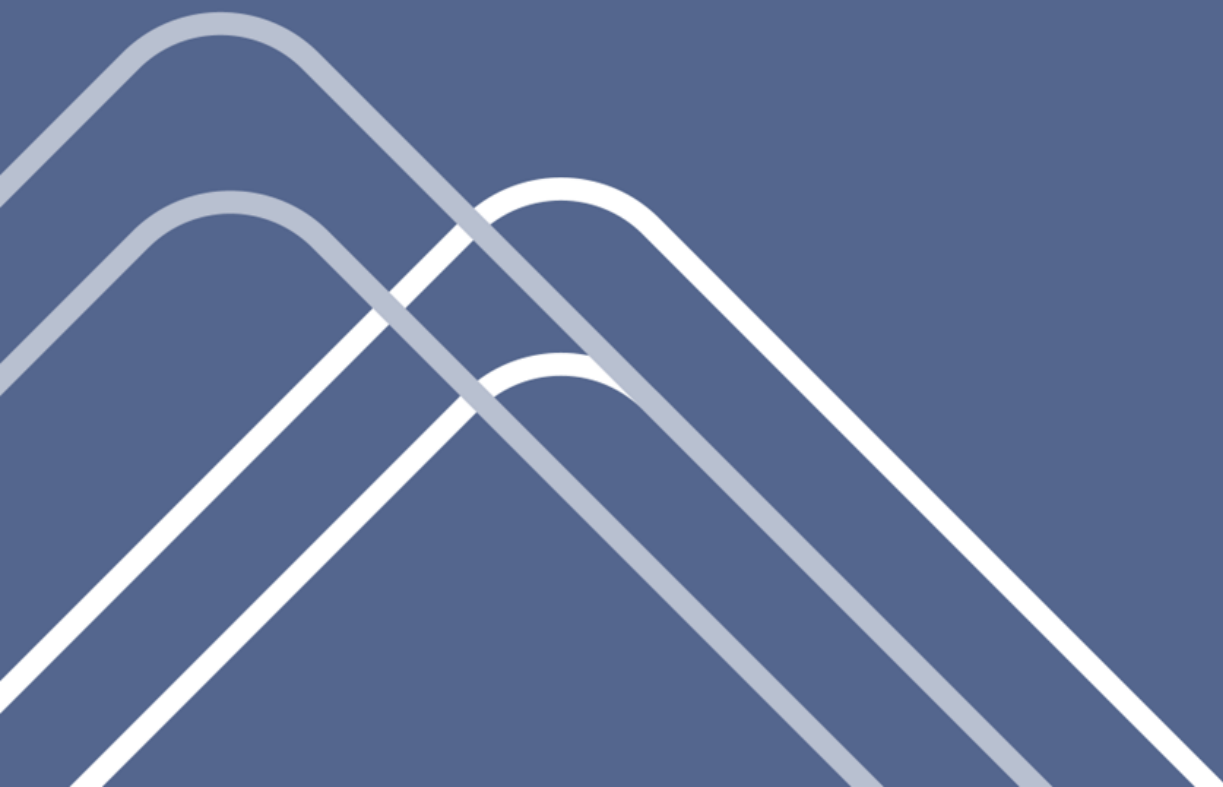


DOING BUSINESS IN Kenya



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INTRODUCTION

UHY is an international organisation providing accountancy, business management and consultancy services through financial business centres in around 100 countries throughout the world.

Business partners work together through the network to conduct transnational operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for investors considering business operations in Kenya has been provided by the office of UHY representatives:

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Information in the following pages has been updated so that they are effective at the date shown, but inevitably they are both general and subject to change and should be used for guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current at April 2025.

We look forward to helping you do business in Kenya.

BUSINESS ENVIRONMENT

BACKGROUND

Kenya is a leading economy in East Africa, renowned for its dynamic private sector, strategic location, and robust infrastructure. The country has strengthened its international partnerships, notably with China and the UAE, focusing on infrastructure, technology, and trade.

POPULATION

As of 2025, Kenya's population is approximately 57.5 million, with a median age of 20 years. The country has a fertility rate of 3.12 children per woman, and about 32% of the population resides in urban areas.

GEOGRAPHY

Located in East Africa, Kenya is bordered by Ethiopia, Somalia, South Sudan, Uganda, Tanzania, and the Indian Ocean. The country's diverse landscapes include savannahs, the Great Rift Valley, highlands, and coastal regions.

CURRENCY

The Kenyan Shilling (KES), abbreviated as KSh, is the official currency. It is subdivided into 100 cents and managed by the Central Bank of Kenya.

LANGUAGE

Kenya is multilingual, with Swahili and English serving as the official languages.

MAJOR EXPORTS

Kenya's primary exports include tea, coffee, cut flowers, and horticultural products. The country also exports petroleum products and minerals. Kenya is a major tourist destination given the beautiful weather, great beaches and most importantly the wildlife tourism.

MAJOR IMPORTS

Key imports consist of refined petroleum, palm oil, wheat, packaged medicaments, and machinery. These imports support Kenya's energy needs and industrial sectors.

EDUCATION – PRIMARY AND SECONDARY

Kenya's education system comprises eight years of primary education starting at age six, followed by four years of secondary education. The government offers free primary and secondary education, with progression based on national examinations.

TERTIARY EDUCATION

Higher education includes universities, technical institutes, and vocational training centres. The sector is expanding to meet the demands of a growing youth population and a diversifying economy.

HEALTH CARE SYSTEM

Kenya's healthcare system is a mix of public providers, private non-profit organizations (including faith-based and NGO-run facilities), and private for-profit providers. Services range from primary care to specialized treatments .

COMMUNICATIONS

The country is enhancing its ICT infrastructure, aiming to establish 25,000 public Wi-Fi hotspots and Digital Village Smart Hubs across all 1,450 wards. These initiatives support digital literacy and access to online services .

BANKING AND FINANCIAL SERVICES

Kenya boasts a well-regulated banking sector overseen by the Central Bank of Kenya. The country is a pioneer in mobile banking, with services like M-Pesa facilitating widespread financial inclusion.

TRANSPORTATION LINKS

Kenya's transport infrastructure includes a railway system connecting major cities and neighbouring countries, 15 airports with paved runways, and a network of roads. The Standard Gauge Railway enhances connectivity between the port city of Mombasa and the interior.

LAND AND BUILDING

Development and construction are governed by the Physical and Land Use Planning (Building) Regulations, which outline procedures and standards for building approvals and land use.

HOLIDAYS

- **January 1:** New Year's Day
- **March 31:** Idd ul-Fitr
- **April 18:** Good Friday
- **April 21:** Easter Monday

- **May 1:** Labour Day
- **June 1:** Madaraka Day
- **June 2:** Day off for Madaraka Day
- **October 20:** Mashujaa Day
- **December 12:** Jamhuri Day
- **December 25:** Christmas Day
- **December 26:** Boxing Day



FOREIGN INVESTMENT

FOREIGN INVESTMENT IN KENYA

Kenya actively promotes foreign direct investment (FDI) as a cornerstone of its economic development strategy. The nation offers a conducive environment for investors, characterised by a liberalised economy, strategic geographic location, and a commitment to improving infrastructure and governance.

POLICY FRAMEWORK AND INSTITUTIONAL SUPPORT

The Ministry of Foreign and Diaspora Affairs plays a pivotal role in shaping Kenya's foreign policy to attract and retain foreign investment. The ministry's efforts are guided by the Kenya Foreign Policy, which emphasises economic diplomacy, regional integration, and the promotion of Kenya as a favourable investment destination. Recent revisions to the policy have adopted a 'Whole of Government and Society' approach, ensuring inclusivity and alignment with national development goals.

INVESTMENT PROMOTION AND FACILITATION

Kenya has established various institutions to facilitate investment, including the Kenya Investment Authority (KenInvest), which serves as a one-stop shop for investors. The government has also entered into bilateral agreements to protect and promote investments, providing assurances to foreign investors regarding the security of their investments.

INFRASTRUCTURE DEVELOPMENT AND FDI

Infrastructure development is a key driver of FDI in Kenya. The government's focus on improving transport, energy, and communication networks has enhanced the country's attractiveness to investors. Notably, the Standard Gauge Railway and various road projects have improved connectivity, facilitating trade and investment.

SECTORAL OPPORTUNITIES

Foreign investors have significant opportunities across various sectors, including:

- **Agriculture:** Investment in agro-processing and value addition.
- **Manufacturing:** Opportunities in textiles, apparel, and construction materials.
- **Information and Communication Technology (ICT):** Growth in mobile technology and digital services.
- **Renewable Energy:** Investment in geothermal, wind, and solar energy projects.
- **Tourism:** Development of eco-tourism and hospitality facilities.

SETTING UP A BUSINESS

Kenya offers a conducive environment for both local and foreign investors, characterized by a liberalized economy, strategic geographic location, and supportive government policies. The process of establishing a business involves several key steps and considerations:

1. BUSINESS REGISTRATION

Investors have a selection of different vehicles to conduct business. These are enumerated in the table below.

Aspect	Sole Proprietorship	General Partnership	Limited Liability Partnerships (LLP)	Company (LLC/LTD CO.)
Legal structure	Owned and operated by a single individual.	Formed by two or more individuals conducting business together.	Formed by two or more individuals conducting business together. This is distinguished from a general partnership as it is a separate legal entity from the partners.	Companies are treated as separate legal entities registered under the Companies Act. This means they have their own legal identity, distinct from their owners (shareholders) and managers (directors), allowing them to own property, enter into contracts, sue and be sued, and bear liabilities independently of their shareholders.
Liability	The owner has personal and unlimited liability for business debts and obligations.	Partners have personal and unlimited liability for business debts and obligations.	Partners have limited liability, protecting personal assets from business debts.	Shareholders have limited liability, protecting personal assets beyond their investment.



	<p>This means that they will bear the full responsibility for repaying debts, and their assets (<i>such as savings, property, and vehicles</i>) can be used to settle business liabilities if the business cannot meet its financial obligations.</p>			
Formation Process	<p>Simple registration under the Registration of Business Names Act; minimal formalities involved.</p>	<p>This requires a partnership agreement; subject to more regulation than sole proprietorships but less than companies.</p>	<p>Registered under the Limited Liability Partnership Act; requires formal incorporation.</p>	<p>Involves incorporation under the Companies Act; more complex procedures and documentation is required.</p>
Taxation	<p>Business income is taxed as the owner's income, avoiding corporate tax.</p>	<p>Partners are taxed individually on their share of profits; the partnership itself is not taxed.</p>	<p>The LLP itself is taxed as a separate entity, and partners are taxed on distributed profits.</p>	<p>Subject to corporate tax rates; profits distributed as dividends may be taxed again at the shareholder level.</p>
Regulatory Compliance	<p>Fewer annual statutory requirements; no need for filing returns or audits with the Business Registration Service</p>	<p>Moderate compliance requirements; may need to file partnership returns depending on jurisdiction.</p>	<p>Same as a company</p>	<p>Higher compliance obligations, including annual returns, audits, and adherence to corporate governance standards.</p>
Management Control	<p>A sole proprietor has complete control over</p>	<p>Management decisions are shared among partners as per the</p>	<p>Managed by designated partners; compliance</p>	<p>Managed by directors appointed by shareholders; decision-making follows</p>



	business decisions.	partnership agreement.	requirements are stricter.	corporate governance structures.
Capital Acquisition	Limited to personal funds or loans; may face challenges in raising substantial capital.	Capital contributions from partners and potential for increased resources compared to sole proprietorships.	Unlike companies, LLPs do not have a statutory minimum capital requirement. Partners contribute based on their agreement.	Easier access to capital through equity investment, loans, or public offerings (for public companies).
Continuity	Business existence is tied to the owner and ceases upon the owner's death or decision to terminate.	Dependent on the partnership agreement and may dissolve upon a partner's departure or death.	This entity has perpetual succession and continues to exist despite changes in partners.	Perpetual succession; continues to exist beyond the lives of its shareholders or directors.

2. TAX REGISTRATION

After incorporation, businesses must register with the Kenya Revenue Authority (KRA) to obtain:

- **Personal Identification Number (PIN):** Essential for tax purposes.
- **Value Added Tax (VAT) Registration:** Required if the business's annual turnover exceeds the VAT threshold.
- **Pay As You Earn (PAYE):** For businesses with employees, to facilitate income tax deductions.

3. REGULATORY COMPLIANCE

Depending on the nature of the business, additional licenses or permits may be required from relevant regulatory bodies. It's crucial to consult with the specific authorities governing your industry to ensure full compliance.

4. INVESTMENT PROMOTION AND FACILITATION

The Kenya Investment Authority (KenInvest) was set up to provide information on investment opportunities, facilitating licenses and permits, and offering aftercare services to investors.

LABOUR

LABOUR AND LABOUR PRACTICES IN KENYA (AS OF APRIL 2025)

Kenya's labour landscape is governed by a comprehensive legal and institutional framework designed to protect workers' rights, promote fair employment practices, and ensure compliance with statutory obligations. Key aspects include:

1. EMPLOYMENT LEGISLATION AND LABOUR RELATIONS

The primary statutes regulating employment in Kenya are:

- **Employment Act, 2007:** Provides the foundation for employment contracts, working conditions, termination procedures, and dispute resolution mechanisms.
- **Labour Relations Act, 2007:** Governs the registration and regulation of trade unions and employers' organisations, collective bargaining, and dispute resolution.
- **Occupational Safety and Health Act, 2007:** Mandates employers to ensure the safety, health, and welfare of employees at the workplace.
- **Work Injury Benefits Act, 2007:** Provides compensation to employees for work-related injuries and diseases.

Recent legal notices, such as Legal Notice No. 2 of 2025, have updated union dues deduction orders for specific sectors, reflecting ongoing adjustments in labour relations frameworks.

2. SOCIAL SECURITY AND HEALTH INSURANCE CONTRIBUTIONS

i. National Social Security Fund (NSSF)

Following the Supreme Court's affirmation of the NSSF Act No. 45 of 2013, employers are mandated to: Register with NSSF as contributing employers.

- Register all employees as NSSF members.
- Deduct and remit contributions totalling 12% of an employee's pensionable earnings (*6% from the employer and 6% from the employee*) by the 9th of the following month
- Submit accurate monthly returns and maintain up-to-date employee records.

Non-compliance attracts penalties and legal consequences.

ii. Social Health Insurance Fund (SHIF)

Effective 1 October 2024, the SHIF replaced the National Hospital Insurance Fund (NHIF). Employers are required to:

- Register with SHIF and enrol their employees and dependents via the SHA Employer Portal.

- Deduct 2.75% of each employee's gross salary, with a minimum contribution of KES 300, and remit by the 9th of the following month

This transition aims to enhance healthcare coverage and accessibility.

iii. Wage Regulations

The Ministry of Labour periodically reviews wage structures to align with economic conditions. The Regulation of Wages (General) (Amendment) Order, 2024, introduced adjustments to minimum wage rates across various sectors, ensuring fair compensation for workers.

iv. Occupational Safety and Health

The Directorate of Occupational Safety and Health Services (DOSHS) oversees workplace safety standards. In 2024, a draft National Occupational Safety and Health Policy was introduced to reinforce the commitment to safe and healthy working environments, in line with international best practices.

v. Labour Migration and International Cooperation

Kenya has been proactive in managing labour migration and enhancing international labour standards:

- The Labour Migration and Management (No. 2) Bill, 2024, seeks to establish frameworks for the protection and welfare of Kenyan migrant workers.
- In October 2024, Kenya signed a Memorandum of Understanding with the United States to collaborate on improving labour standards and worker welfare, reflecting a commitment to international labour cooperation.

vi. Productivity and Skills Development

The Ministry of Labour and Social Protection has issued guidelines for productivity improvement for the fiscal year 2024-25, emphasizing the need for continuous skills development and alignment with market demands.

3. CONCLUSION

Kenya's labour framework is dynamic, with ongoing reforms aimed at enhancing worker protection, promoting fair labour practices, and aligning with international standards. Employers and investors are encouraged to stay informed of legislative changes and ensure compliance with all statutory obligations.

TAXATION

Kenya's taxation framework is governed by various laws and administered by the Kenya Revenue Authority (KRA). Recent legislative amendments and policy reforms have been implemented to enhance tax compliance, broaden the tax base, and streamline tax administration.

1. INCOME TAX

- **Pay As You Earn (PAYE):** Employers are mandated to deduct income tax from employees' salaries based on progressive tax bands ranging from 10% to 35%, as stipulated in the Finance Act, 2023.
- **Post-Retirement Medical Fund Relief:** Effective January 1, 2024, a tax relief of 15% of contributions to post-retirement medical funds, up to KES 60,000 annually, is available. **Affordable Housing Levy:** The Tax Laws (Amendment) Act, 2024, allows deductions for contributions made under the Affordable Housing Act, 2024, in the computation of taxable income.

2. TURNOVER TAX (TOT)

Applicable to businesses with annual gross turnover between KES 1 million and KES 25 million, TOT is charged at a rate of 3% on gross sales, effective from July 1, 2023.

3. VALUE ADDED TAX (VAT)

The standard VAT rate remains at 16%. Notably, VAT on petroleum products was standardized at this rate effective January 1, 2024.

4. UNIFIED PAYROLL RETURN

KRA has initiated the implementation of a Unified Payroll Return system, integrating PAYE and NSSF contributions. Plans are underway to incorporate NHIF and NITA levies into this system, aiming to simplify employer compliance.

5. TAX AMNESTY PROGRAM

The Finance Act, 2023, introduced a tax amnesty program waiving penalties and interest on tax liabilities accrued up to December 31, 2023. Taxpayers are required to settle the principal tax and apply for the amnesty through the iTax system.

6. TAX PROCEDURES (AMENDMENT) ACT, 2024

This Act introduced measures to enhance tax compliance, including provisions for the issuance of tax invoices by purchasers from small-scale suppliers and adjustments to tax administration procedures.

ACCOUNTING AND REPORTING

Kenya's accounting and reporting framework is governed by a combination of statutory requirements, regulatory directives, and emerging sustainability standards. The integration of Environmental, Social, and Governance (ESG) considerations into financial reporting is gaining prominence, aligning with global best practices.

1. FINANCIAL REPORTING STANDARDS

- **International Financial Reporting Standards (IFRS):** Kenya has adopted IFRS for financial reporting, ensuring consistency and transparency in financial statements.
- **Public Sector Accounting Standards:** Public entities adhere to International Public Sector Accounting Standards (IPSAS), promoting accountability and comparability in the public sector.

2. REGULATORY OVERSIGHT

- **Institute of Certified Public Accountants of Kenya (ICPAK):** ICPAK regulates the accountancy profession, ensuring adherence to ethical standards and continuous professional development.
- **Kenya Revenue Authority (KRA):** KRA mandates accurate financial reporting for tax compliance, including the submission of audited financial statements where applicable.

3. UNIFIED PAYROLL REPORTING

To streamline compliance, KRA and the National Social Security Fund (NSSF) have implemented a Unified Payroll Return system. This system allows employers to file Pay As You Earn (PAYE) and NSSF contributions jointly, with plans to integrate the Social Health Insurance Fund (SHIF) and National Industrial Training Authority (NITA) levies in the future.

4. SOCIAL SECURITY AND HEALTH CONTRIBUTIONS

- **NSSF Contributions:** Effective February 2025, the third phase of the NSSF Act 2013 implementation commenced, adjusting Tier I and Tier II contribution limits. Employers are required to remit contributions based on revised earnings thresholds.
- **SHIF Contributions:** Following the enactment of the Social Health Insurance Act, 2024, SHIF replaced the National Hospital Insurance Fund (NHIF). Employers must register and remit contributions as stipulated by the new regulations.

5. ESG REPORTING FRAMEWORK

Kenya is progressively integrating ESG considerations into corporate reporting:

- **Voluntary Adoption Phase (2024-2026):** Organizations are encouraged to adopt the IFRS Sustainability Disclosure Standards (S1 and S2) voluntarily, focusing on sustainability-related financial disclosures and climate-related disclosures, respectively.

- **Mandatory Adoption Phase:** Beginning January 1, 2027, public interest entities (PIEs) will be required to comply with these standards. Large non-PIEs will follow in 2028, with small and medium-sized enterprises (SMEs) expected to comply by 2029.
- **Regulatory Support:** The Nairobi Securities Exchange (NSE) has developed an ESG Disclosure Manual to guide listed companies, while the Capital Markets Authority (CMA) has introduced the Kenya Sustainability Reporting Standards (KSRS) to promote ESG transparency.

6. COMPLIANCE DEADLINES

Employers and organizations must adhere to statutory deadlines for remittances and filings:

- **PAYE, NSSF, SHIF, and NITA Levies:** Remittances are due by the 9th day of the following month, aligning with the unified payroll reporting system.

UHY IN KENYA



UHY Kenya

Kenya

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SOCIAL MEDIA CONNECTIONS

Year established: 1976
PCAOB reverified? No
Number of partners: 4
Total staff: 27

OTHER IN-COUNTRY OFFICE LOCATIONS AND CONTACTS

We operate from Nairobi, the capital city of Kenya. From this location, we can service clients in Tanzania and Uganda.

BRIEF DESCRIPTION OF FIRM

UHY Kenya/ Mungai & Associates has been in operation since 1976 and is currently one of the growing Certified Public Accountants and management consultancy firms in Kenya. We offer a wide range of financial consulting services all intended to assist clients to undertake and run successful business/ development initiatives in Kenya and other countries of East and Central Africa.

The firm joined UHYI in 2006.

UHY Kenya Mungai & Associates (the 'Firm') is a member of Urbach Hacker Young International Limited, a UK company, and forms part of the international UHY network of legally independent accounting and consulting firms. UHY is the brand name for the UHY international network. The services described herein are provided by the Firm and not by UHY or any other member firm of UHY. Neither UHY nor any member of UHY has any liability for services provided by other members.

SPECIALIST SERVICE AREAS

Receivership and liquidations
Company valuations
Due Diligence assignments
Tax planning
Investment appraisals
Filing of annual returns
Risk base auditing
Audit of non governmental organisations

UHY Kenya

Kenya

PRINCIPAL OPERATING SECTORS

Pension and provident fund audits
Manufacturing companies
Service industry
Savings and credit organizations
Non-governmental organizations
Pharmaceutical Companies
Agriculture
Internet related service providers
Micro finance companies

LANGUAGES

English is the working knowledge while Kiswahili is the national language.

CURRENT PRINCIPAL CLIENTS

- Highchem Group of Companies
- Equity Building Society (now Equity Bank Limited)- Previous client
- Karen Blixen Camp Limited
- Cybertrace Limited
- Delight Capital Microfinance Limited
- Ol Pejeta Conservancy- Part of Sweetwaters Camp
- Nairobi Flight Training Limited
- Young Women Christian Association
- Mhasibu Housing Company Limited
- Simba Pharmaceuticals Limited
- Mangu Investments Co. Limited
- Action Aid Kenya Limited – Consultancy
- Ol Jogi Limited- Ranch and Tourism sector

- Oakland Media Services Limited
- Delamere Estates Limited
- Delamere Holdings Limited
- Soysambu Conservancy Limited
- Under The Same Sun, Tanzania (parent company based in Canada)
- Africa Alliance of Young Men's Christian Associations
- Bahr-EI-Ghazal Youth Development Agency (BYDA), Southern Sudan
- Kitisuru Water Limited-previous client
- The Kenya Young Men Christian Association (KYMCA)
- Charleston Travel Limited
- African Woman & Child Feature Services
- Young Christian Women Association

- Independent Adjusters Kenya Limited
- Hillcrest Schools Limited (In Receivership)
- Triple Nine Associates Limited
- Maxam Limited

- Media Council of Kenya

UHY Kenya

Kenya

- . Coalition on Violence Against Women
- . Solidaridad E&CA Expertise

OTHER COUNTRIES IN UHY CURRENTLY WORKING WITH, OR HAVE WORKED WITH IN THE PAST

United States of America.

Denmark

Canada

Malaysia

Netherlands

Germany

Spain

Israel

Malaysia

Uganda

BRIEF HISTORY OF FIRM

Founded in 1976 as Mungai & Associates, the firm has had its fair share of challenges. We have continued to service our medium sized clients especially in the areas of audit, tax etc.

In 2006, we joined the UHYI and continue to support the global effort of growing a bigger firm to the satisfaction of our clients.

We have adequate local resources to ensure that our clients receive value added services in any assignments that we undertake.

Let us help you achieve further business success

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